Combined Financial Statements and Supplementary Information

Christian Health Care Center and Affiliates
Years Ended December 31, 2014 and 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

Christian Health Care Center and Affiliates

Combined Financial Statements
and Supplementary Information

Years Ended December 31, 2014 and 2013

Contents

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Report of Independent Auditors

The Board of Trustees
Christian Health Care Center

We have audited the accompanying combined financial statements of Christian Health Care Center and Affiliates (the Center), which comprise the combined balance sheets as of December 31, 2014 and 2013, and the related combined statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of Christian Health Care Center and Affiliates at December 31, 2014 and 2013, and the combined results of their operations, changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying combining balance sheet as of December 31, 2014, and combining statement of operations and changes in net assets for the year then ended are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Ernst & Young LLP

April 10, 2015

Christian Health Care Center and Affiliates

Combined Balance Sheets

	December 31	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 4,380,563**	$ 7,520,294
Short-term investments	**6,719,153**	6,203,166
Assets limited to use, current portion	**1,744,024**	1,572,200
Accounts receivable, less allowances for uncollectibles of approximately $12,000 in 2014 and in 2013	**6,872,870**	8,282,637
Prepaid expenses and other current assets	**490,943**	862,335
Total current assets	**20,207,553**	24,440,632
Assets limited to use, less current portion	**727,981**	727,981
Other assets	**1,946,362**	2,003,612
Deferred financing costs, net of accumulated amortization of approximately $563,000 in 2014 and $499,000 in 2013	**648,601**	615,909
Property, plant, and equipment, net	**59,649,959**	51,762,602
Total assets	**$ 83,180,456**	$ 79,550,736
Liabilities and net assets		
Current liabilities:		
Current portion of long-term debt	**$ 5,060,467**	$ 1,716,725
Accounts payable and accrued expenses	**4,568,879**	3,878,318
Accrued payroll	**1,818,908**	2,993,686
Accrued interest	**8,756**	8,315
Estimated amounts due to third-party payers	**158,000**	439,420
Total current liabilities	**11,615,010**	9,036,464
Benefits payable	**1,344,200**	1,368,400
Pension obligation and other liabilities	**13,011,133**	12,148,799
Long-term debt, less current portion	**27,414,649**	29,446,865
Total liabilities	**53,384,992**	52,000,528
Commitments and contingencies		
Net assets:		
Unrestricted	**28,352,265**	25,607,009
Temporarily restricted	**715,218**	1,215,218
Permanently restricted	**727,981**	727,981
Total net assets	**29,795,464**	27,550,208
Total liabilities and net assets	**$ 83,180,456**	$ 79,550,736

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Operations

	Year Ended December 31	
	2014	**2013**
Revenue:		
Net patient service revenue less provision for bad debt	**$ 73,380,826**	$ 70,962,735
Other revenue	**833,731**	858,210
Investment income on debt service funds	**1,073**	1,186
Total revenue	**74,215,630**	71,822,131
Expenses:		
Salaries and wages	**43,182,220**	41,309,468
Employee benefits	**10,515,743**	10,566,769
Supplies and other	**15,967,181**	15,758,701
Interest and amortization	**388,900**	412,262
Depreciation and amortization	**3,412,122**	3,372,434
Total expenses	**73,466,166**	71,419,634
Income from operations	**749,464**	402,497
Investment income and net realized gains and losses	**376,510**	323,850
Estate bequests	**143,512**	18,555
Foundation fundraising and contributions, net of expenses	**1,129,103**	1,053,800
Net change in unrealized gains and losses on investments	**28,644**	641,096
Excess of revenue over expenses	**2,427,233**	2,439,798
Grant proceeds for capital expenditures	**1,908,516**	118,925
Net assets released from restrictions for capital purposes	**500,000**	–
Change in pension liability to be recognized in future periods	**(2,090,493)**	1,777,830
Increase in unrestricted net assets	**$ 2,745,526**	$ 4,336,553

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Changes in Net Assets

Years Ended December 31, 2014 and 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance at January 1, 2013	$ 21,270,456	$ 215,218	$ 727,981	$ 22,213,655
Excess of revenue over expenses from continuing operations	2,439,798	–	–	2,439,798
Grant proceeds for capital expenditures	118,925	–	–	118,925
Restricted contributions	–	1,000,000	–	1,000,000
Change in pension liability to be recognized in future periods	1,777,830	–	–	1,777,830
Increase in net assets	4,336,553	1,000,000	–	5,336,553
Balance at December 31, 2013	25,607,009	1,215,218	727,981	27,550,208
Excess of revenue over expenses	**2,427,233**	**–**	**–**	**2,427,233**
Grant proceeds for capital expenditures	**1,908,516**	**–**	**–**	**1,908,516**
Net assets released from restrictions for capital purposes	**500,000**	**(500,000)**	**–**	**–**
Change in pension liability to be recognized in future periods	**(2,090,493)**	**–**	**–**	**(2,090,493)**
Increase (decrease) in net assets	**2,745,526**	**(500,000)**	**–**	**2,245,256**
Balance at December 31, 2014	**$ 28,352,265**	**$ 715,218**	**$ 727,981**	**$ 29,795,464**

See accompanying notes.

Christian Health Care Center and Affiliates

Combined Statements of Cash Flows

	Year Ended December 31	
	2014	**2013**
Operating activities		
Increase in net assets	**$ 2,245,256**	$ 5,336,553
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**3,412,122**	3,372,434
Amortization of deferred financing costs	**63,414**	68,907
Net change in unrealized gains and losses on investments	**(28,644)**	(641,096)
Changes in operating assets and liabilities:		
Accounts receivable, net	**1,409,767**	(356,626)
Prepaid expenses and other current assets	**371,392**	(177,095)
Other assets	**57,250**	129,234
Accounts payable and accrued expenses, accrued payroll and accrued interest	**(483,776)**	1,529,014
Estimated amounts due to third-party payers	**(281,420)**	(2,245)
Benefits payable and other liabilities	**838,134**	(1,012,574)
Net cash provided by operating activities	**7,603,495**	8,246,506
Investing activities		
Purchases of property, plant, and equipment	**(11,300,584)**	(3,999,615)
Purchase of short-term investments	**(487,343)**	(2,009)
Proceeds from disposal of asset	**1,105**	1,185
Net investment in assets limited to use	**(171,824)**	(52,956)
Net cash used in investing activities	**(11,958,646)**	(4,053,395)
Financing activities		
Payments of long-term debt	**(1,719,880)**	(1,460,473)
Payment of deferred financing costs	**(96,106)**	(33,195)
Proceeds from issuance of long-term debt	**3,031,406**	372,769
Net cash provided by (used in) financing activities	**1,215,420**	(1,120,899)
(Decrease) increase in cash and cash	**(3,139,731)**	3,072,212
Cash and cash equivalents at beginning of year	**7,520,294**	4,448,082
Cash and cash equivalents at end of year	**$ 4,380,563**	$ 7,520,294
Supplemental disclosure of cash flow information		
Cash paid for interest	**$ 416,045**	$ 346,159
Assets acquired under capital lease obligation	**$ –**	$ 331,650

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

Christian Health Care Center (the Center) consists of a 298-bed skilled nursing facility (Heritage Manor), a 95-bed assisted living residence (Longview), a 39-bed congregate residence (Hillcrest), 40 senior residential housing units (Evergreen Court), a 40-bed long-term care behavioral management facility (Southgate), a 58-bed mental health facility (Ramapo Ridge) and several geriatric and mental health outpatient programs. Individuals associated with churches from the Reformed tradition founded the Center in 1911.

The accompanying combined financial statements include the Center, Holland Mutual Charitable Health Corporation (Holland Mutual), the Christian Health Care Center Foundation, Inc. (the Foundation) and CHCC CCRC, Inc. (Vista). The Center is the sole member of the Foundation, which was established to assist the Center in furtherance of its charitable mission, and Vista, which is a start-up CCRC facility. Vista had no operations in 2013 or 2014. Holland Mutual was established to operate for the advancement of charitable health care issues and care as well as other charitable, religious, educational and scientific purposes. The Center and Holland Mutual are governed by boards which share several members. Due to the existence of common control through common board members, the financial statements of these entities have been combined. All significant intercompany and inter-entity balances and transactions have been eliminated in the accompanying combined financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, such as estimated uncollectibles for accounts receivable, and liabilities, such as estimated settlements with third-party payers, and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates.

Cash Equivalents

The Center considers all highly liquid financial instruments with a maturity of three months or less when purchased to be cash equivalents, except for amounts included in short-term investments and assets limited to use. Included in cash and cash equivalents are amounts on

1. Organization and Summary of Significant Accounting Policies (continued)

deposit at financial institutions which exceed Federal Deposit Insurance Company limits. Management believes that the institutions are viable entities and minimal risk of loss exists.

Receivables for Patient Care

Patient accounts receivable for which the Center receives payment under cost reimbursement, prospective payment formula or negotiated rates, which cover the majority of patient services at the Center, are stated at the estimated net realizable amounts from their respective payers, which are generally less than the established billing rates of the Center.

The amount of the allowance for uncollectibles is based on management's assessment of historical and expected collections, business economic conditions, trends in health care coverage, and other collection indicators and/or anticipated collection amounts. Additions to the allowance for uncollectibles result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for uncollectibles.

Investments and Investment Income

Investment securities included in short-term investments and assets limited to use consist of cash and cash equivalents, certificates of deposit, equity securities, mutual funds, fixed income securities (government and corporate debt obligations) and an interest in a hedge fund. Investments in marketable securities are reported at fair value in the accompanying combined balance sheets. The fair value of marketable investments is determined by reference to quoted market prices. The Center's interest in a hedge fund limited partnership is reported based on the fund's net asset value derived from the application of the equity method of accounting. The Center's risk with respect to the hedge fund's investment activities, which may include securities lending, short sales, and trading in futures or other derivative products, is limited to the Center's capital balance with the fund. Donated investments are recorded at their fair value at the date of gift. All investments are classified as trading securities.

Investment income (including realized gains and losses on investments, interest, and dividends) and net change in unrealized gains and losses are included in the excess of revenue over expenses unless the income is restricted by donor or law. Investment income related to assets held by trustees under debt financing agreements is included in income from operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Assets Limited to Use

Assets limited to use include assets held by trustees under debt financing agreements, designated assets set aside by the Board of Trustees for other purposes and assets designated for specific purposes by donors.

Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain financing and are amortized over the term of the related debt using the effective interest method. The Center paid approximately $96,000 and $33,000 in 2014 and 2013, respectively, for such costs.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, except for donated property, plant and equipment, which are recorded at fair value at the date of donation. Assets acquired under capitalized leases are recorded at the present value of the lease payments at the inception of the lease. Annual provisions for depreciation and amortization of property, plant, and equipment are computed using the straight-line method over the estimated useful lives of the assets or the lesser of the estimated useful life of the asset or lease term (ranging from 3 to 40 years).

Professional and General Liability

The Center maintains claims-made professional and general liability and worker's compensation coverage through a commercial insurance carrier. Estimated incurred but not reported claims at December 31, 2014 and 2013 are immaterial to the combined financial statements. As a result of the adoption of Accounting Standards Update No. 2010-24 in 2011, at December 31, 2014 and 2013, the Center recorded an estimated insurance recovery receivable and long-term insurance claim liability related to workers compensation, professional and general liabilities of approximately $181,000 and $323,000, respectively.

1. Organization and Summary of Significant Accounting Policies (continued)

Classification of Net Assets

The Center separately accounts for and reports donor restricted and unrestricted net assets. Unrestricted net assets are not externally restricted for identified purposes by donors or grantors. Unrestricted net assets include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Center and an outside party other than the donor or grantor.

Temporarily restricted net assets are those whose use is temporarily limited by the donors for a specific time period or purpose. Assets are released from restrictions when the funds have been used for the intended purpose. The Center reports contributions of temporarily restricted net assets for which the restriction was met in the year the contribution was made as increases in unrestricted net assets.

Permanently restricted net assets have been restricted by donors to be maintained in perpetuity. The Center follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as it relates to its permanently restricted contributions and net assets, as enacted by the State of New Jersey in 2009.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payers, and others for service rendered and includes estimated retroactive adjustments for ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related service is rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

For uninsured patients that do not qualify for charity care, the Center recognizes revenue on the basis of discounted rates under the Center’s self pay patient policy.

1. Organization and Summary of Significant Accounting Policies (continued)

The components of patient service revenue for the years ended December 31, 2014 and 2013, net of contractual allowances and discounts (but before the provision for bad debts) and after the provision for bad debts, recognized from these major payor sources based on primary insurance designation, is as follows:

	2014	2013
Patient service revenue (net of contractual allowances and discounts, but before the provision for bad debts):		
Third-party payers	**$ 48,375,883**	$ 46,683,550
Self-pay	**25,054,643**	24,328,885
	73,430,526	71,012,435
Provision for bad debts	**(49,700)**	(49,700)
Net patient service revenue less provision for bad debts	**$ 73,380,826**	$ 70,962,735

Accounts receivable are also reduced by an allowance for uncollectible accounts. The Center analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payer has not yet paid, or for payers who are known to be having financial difficulties that make the realization of amounts due unlikely). The difference between discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectibles.

The Center's allowance for uncollectibles totaled approximately $12,000 at December 31, 2014 and 2013, respectively. The allowance for uncollectibles for self-pay accounts was approximately 1% and 2% of self-pay accounts receivable as of December 31, 2014 and 2013, respectively. Overall, the total of self-pay discounts and write-offs has not changed significantly during the years ended December 31, 2014 and 2013. The Center has not experienced significant changes in write-off trends and did not change its charity care policy during the years ended December 31, 2014 and 2013.

1. Organization and Summary of Significant Accounting Policies (continued)

The Center provides care to patients under Medicare, Medicaid and other third-party contractual arrangements. Medicare and Medicaid regulations require annual retroactive settlements for certain payment components through cost reports filed by the Center. These retroactive settlements are estimated and recorded in the financial statements in the year in which they occur or can be estimated. The estimated settlements recorded at December 31, 2014 and 2013, could differ from actual settlements based on the results of cost report audits. Cost reports filed with Medicare and Medicaid for all years through 2010 have been audited and settled as of December 31, 2014. The Center did not record any revenue related to settlements of prior years during 2013 and 2014.

Revenue from the Medicare and Medicaid programs accounted for approximately 55% of the Center's net patient service revenue for the years ended December 31, 2014 and 2013. There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the federal government, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Center. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near future. The Center believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential noncompliance that could have a material adverse effect on the accompanying combined financial statements.

Performance Indicator

The combined statements of operations include excess of revenue over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from the performance indicator include grant proceeds for capital expenditures, transfer from restrictions for capital purposes and change in pension liability to be recognized in future periods. Transactions deemed by management to be ongoing and central to the provision of the Center's services are reported as revenue and expenses from operations.

1. Organization and Summary of Significant Accounting Policies (continued)

Tax Status

The Center, Holland Mutual, the Foundation and Vista are not-for-profit corporations, as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The entities are also exempt from state and local income taxes.

Recent Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements in Accounting Standards Codification Topic 605, *Revenue Recognition*, and most industry-specific guidance. The provisions of ASU 2014-09 are effective for the Center for annual reporting periods beginning after December 15, 2016. Early application is not permitted. The Center has not completed the process of evaluating the impact of ASU 2014-09 on its combined financial statements.

Reclassifications

Certain reclassifications have been made to the 2013 amounts previously reported in order to conform to the current year presentation.

2. Charity Care

The Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. As the collection of amounts determined to qualify as charity care is not pursued, such services are not reported as patient revenue. The cost of charity care is derived from both estimated and actual data. The estimated cost of charity care includes the direct and indirect cost of providing such services and is estimated utilizing the Center's ratio of cost to gross charges, which is then multiplied by the gross uncompensated charges associated with providing care to charity patients.

2. Charity Care (continued)

In addition, the Center provides several other charitable programs and activities, such as educational and health monitoring programs, that are primarily offered for the benefit of the local communities that the Center serves. In accordance with its mission, the Center commits substantial resources to sponsor a broad range of services to both the indigent as well as the broader community. Community benefits provided to the indigent include the cost of providing services to persons who cannot afford health care due to inadequate resources and/or who are uninsured or underinsured. This type of community benefit includes the costs of: traditional charity care; unpaid costs of care provided to beneficiaries of Medicaid and other indigent public programs; services such as free clinics and meal programs for which a patient is not billed or for which a nominal fee has been assessed; and cash and in-kind donations of equipment, supplies or staff time volunteered on behalf of the community.

Community benefits provided to the broader community include the costs of providing services to other populations who may not qualify as indigent but may need special services and support. This type of community benefit includes the costs of: services such as health promotion and education, health clinics and screenings, all of which are not billed or can be operated only on a deficit basis; unpaid portions of training health professionals such as medical residents, nursing students and students in allied health professions; and the unpaid portions of testing medical equipment and controlled studies of therapeutic protocols.

A summary of the estimated cost of community benefits provided to both the indigent and the broader community follows:

	2014	2013
Community benefits provided to the indigent:		
Charity care provided	**$ 842,900**	$ 1,120,600
Unpaid cost of public programs, Medicaid and other indigent care programs	**9,477,700**	7,500,800
Community benefits provided to the broader community:		
Non-billed services for the community	**249,741**	257,895
Estimated cost of community benefits	**$ 10,570,341**	$ 8,879,295

3. Short-Term Investments and Assets Limited to Use

Short-term investments consist of the following:

	December 31 2014	December 31 2013
Cash and cash equivalents	**$ 5,326**	$ 10,259
Certificates of deposit	**376,509**	428,975
Equity securities	**1,114,348**	945,547
Mutual funds	**5,138,706**	4,598,590
Fixed income securities	**84,264**	98,107
Alternative investment – hedge fund (equity method)	**–**	121,688
	$ 6,719,153	$ 6,203,166

Assets limited to use consist of cash and cash equivalents maintained for the following purposes:

	December 31 2014	December 31 2013
Under debt financing arrangements	**$ 554**	$ 664
By Board of Trustees	**1,743,470**	1,571,536
Permanently restricted by donor	**727,981**	727,981
Total assets limited to use	**2,472,005**	2,300,181
Less current portion	**1,744,024**	1,572,200
Assets limited to use, less current portion	**$ 727,981**	$ 727,981

A summary of the assets limited to use under debt financing arrangements is as follows:

	December 31 2014	December 31 2013
Debt service cost of issuance fund and other	**$ 554**	$ 664

3. Short-Term Investments and Assets Limited to Use (continued)

Investment return is as follows:

	Year Ended December 31 2014	2013
Interest income – debt service funds	**$ 1,073**	$ 1,186
Interest and dividend income – other holdings	**158,673**	94,097
Net realized gains and losses	**217,837**	229,753
Net change in unrealized gains and losses	**28,644**	641,096
	$ 406,227	$ 966,132

4. Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	December 31 2014	2013
Land and land improvements	**$ 2,524,874**	$ 2,249,474
Buildings and improvements	**64,516,885**	63,592,361
Major movable equipment	**11,825,598**	14,558,530
Fixed and other equipment	**15,369,780**	11,166,636
Transportation vehicles	**2,341,294**	2,205,132
	96,578,431	93,772,133
Accumulated depreciation	**(53,821,197)**	(50,407,970)
	42,757,234	43,364,163
Construction in progress	**16,892,725**	8,398,439
	$ 59,649,959	$ 51,762,602

Substantially all property, plant, and equipment have been collateralized under debt agreements.

Construction in progress includes approximately $8.6 million expended through December 31, 2014, for a proposed continuing care retirement community (CCRC) project. Currently, the planned CCRC project was approved by the Wyckoff Zoning Board of Adjustments, in May of 2013, and was approved by the Hawthorne Zoning Board of Adjustments in July 2014.

4. Property, Plant, and Equipment (continued)

The Center received approval from the New Jersey Department of Community Affairs to collect deposits from prospective residents in September 2014 and has commenced marketing efforts. Upon obtaining the necessary financing for the project, management anticipates that the Center will be reimbursed for the construction in progress expenditures paid on behalf of the CCRC project in excess of its equity contribution.

The Center capitalized interest of approximately $91,000 and $73,000 during 2014 and 2013, respectively, related to construction projects.

5. Benefits Payable

During 1996, the Holland Mutual Burying Fund, then an unrelated not-for-profit organization that provided death benefits to its subscribers, transferred its assets and obligations to Holland Mutual. Benefits payable represent certificates held by subscribers for the payment of a death benefit for funeral expenses and is calculated based on the dollar value of the certificate purchased by the individual. As of December 31, 2014, there were 2,547 certificates outstanding.

6. Long-Term Debt

Long-term debt consists of the following:

	December 31	
	2014	**2013**
New Jersey Health Care Facilities Financing Authority (NJHCFFA) Variable Rate Revenue Bonds, Series 2009[(a)]	**$ 12,230,000**	$ 12,850,000
NJHCFFA Revenue and Refunding Bonds, Series 1997 B[(b)]	**6,800,000**	7,100,000
NJHCFFA Variable Rate Series 2005[(c)]	**5,710,000**	5,875,000
NJHCFFA Variable Rate Composite Program[(d)]	**200,000**	300,000
NJHCFFA Tax Exempt Equipment Note 2009[(e)]	**1,416,169**	1,855,530
Revolving construction loan[(f)]	**3,375,000**	2,875,000
Capital lease obligations and other[(g)]	**255,351**	308,060
Improvement Loan [(h)]	**2,488,596**	–
	32,475,116	31,163,590
Less:		
Current portion	**5,060,467**	1,716,725
	$ 27,414,649	$ 29,446,865

(a) On February 19, 2009, the NJHCFFA issued $14,970,000 of Series 2009 Variable Rate Revenue Bonds (Series 2009 Bonds), on behalf of the Center. The proceeds were used for the refunding of the Series A Bonds, as described below, and renovations to the nursing home. The Series 2009 Bonds are payable in annual installments of principal through July 2038 with interest at a variable rate (not to exceed 12%). The average interest rate during 2014 and 2013 was 0.34% and 0.31%, respectively. The Series 2009 Bonds are secured by a letter of credit with a bank with an available amount of approximately $12,403,000 and which expires May 1, 2020.

6. Long-Term Debt (continued)

(b) On January 7, 1998, the NJHCFFA issued $19,460,000 of Revenue and Refunding Bonds Series 1997 A (Series A Bonds). The Series A Bonds were advance refunded in February 2009 through the issuance of the Series 2009 Bonds. The Series A Bonds were fully redeemed.

Concurrently with the issuance of the Series A Bonds, the NJHCFFA issued $10,500,000 of Revenue and Refunding Bonds Series 1997 B (Series B Bonds). The Series B Bonds are at a variable interest rate with maturities through 2028. The average interest rate during 2014 and 2013 was 0.30% and 0.38%, respectively. The proceeds of the Series B Bonds were used for the construction of the assisted living facility which was completed in 1999. The Series B Bonds are secured by substantially all the Center's assets and gross receipts and a letter of credit with a bank. The letter of credit is for approximately $6,912,000 and expires May 1, 2020.

(c) In December 2005, the Center financed $6,600,000 through the NJHCFFA Variable Rate Composite Program (COMP Program Series 2005). The bond proceeds were used for: the construction and equipping of a two-story addition at the inpatient mental health facility; the acquisition of property situated adjacent to the facility and various other renovations. The bonds are payable in annual installments of principal through July 2035 and are at variable interest rates (not to exceed 12%) that averaged 0.32% and 0.36% during 2014 and 2013, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately $5,811,000 and expires May 1, 2020.

(d) In September 1998, the Center financed $1,000,000 through the NJHCFFA Variable Rate Composite Program (COMP Program). The bond proceeds were used to refinance its previously outstanding bank loan that was used to renovate its senior housing residence. The bonds are payable in equal biannual installments of principal through July 2018 and are at a variable rate of interest (not to exceed 12%) that averaged 0.62% and 0.66% during 2014 and 2013, respectively. The bonds are secured by a letter of credit with a bank. The letter of credit is for approximately $204,000 and expires July 1, 2018.

6. Long-Term Debt (continued)

(e) In January 2008, the Center financed $3,500,000 through a NJHCFFA Tax Exempt Equipment Note. The proceeds were used to purchase furniture and equipment. Payments of principal and interest are due through January 2018 and are at a fixed interest rate of 3.6%. In January 2013, the Tax Exempt Equipment Note was refinanced to a fixed rate of 2.169% and supplemented with an additional borrowing of $400,000.

(f) In December 2004, the Center entered into a $5,000,000 revolving construction loan (Construction Loan) with a bank for future expansion projects. Advances under the loan bear interest at an annual variable rate equal to 0.8% in excess of LIBOR with a minimum rate of 2.5% (2.5% at December 31, 2014 and 2013). The outstanding balance of the loan is due upon termination of the loan in 2015. The Center is in the process of securing another loan to re-pay the existing loan and to provide additional funding for future expansion projects. At December 31, 2014, there was $1,625,000 available under this revolving construction loan.

(g) In 2013, the Center entered into various capital lease agreements related to software licenses and vehicles totaling approximately $331,000. The obligations bear interest at rates ranging from 6.3% to 10.1%. In 2014, the Center added a non-interest bearing vehicle loan of approximately $34,000.

(h) In June of 2014, the Center entered into a $12,000,000 line of credit (Improvement Loan) with a bank for improvement of the existing nursing facility. During 2014, approximately $2,489,000 was drawn on the line. The term of the outstanding loan is 26.5 years with a maturity in January 2041. The first 18 months of the loan is interest-only followed by a 25-year fully amortizing loan. The interest rate is a floating rate at 30-day LIBOR plus 1.60% basis points (1.754% at December 31, 2014.)

The holders of the Series 2009 Bonds, the Series B Bonds, the COMP Program Series 2005 bonds, and the COMP Program bonds have the right to tender their bonds for purchase on a weekly basis. The reimbursement terms of the letters of credit securing these debt issuances are such that in the event that a bondholder demanded repayment on the bonds, and adequate funds are not available from the remarketing of such bonds, the Center would reimburse the letter of credit bank over a long-term period.

6. Long-Term Debt (continued)

Under the terms of the various loan documents for its outstanding debt instruments, the Center is required to maintain certain financial ratios and comply with other restrictive financial covenants as described in the respective agreements. The Center was in compliance with the financial covenants at December 31, 2014 and 2013.

Scheduled debt maturities are as follows:

	Series 2009 Bonds	Series B Bonds	COMP Program Series 2005	COMP Program	Tax Exempt Revenue Note	Construction Loan	Improvement Loan	Capital Lease Obligations and Other	Total
2015	$ 560,000	$ 400,000	$ 170,000	$ –	$ 448,986	$ 3,375,000	$ –	$ 106,481	$ 5,060,467
2016	605,000	400,000	175,000	100,000	458,821	–	99,584	83,680	2,102,501
2017	650,000	400,000	180,000	–	468,871	–	99,584	33,121	2,011,992
2018	695,000	400,000	190,000	100,000	39,491	–	99,584	29,472	1,733,963
2019	740,000	400,000	195,000	–	–	–	99,584	2,597	1,617,597
Thereafter	8,980,000	4,800,000	4,800,000	–	–	–	2,090,260	–	19,948,596
	$12,230,000	$ 6,800,000	$ 5,710,000	$ 200,000	$ 1,416,169	$ 3,375,000	$ 2,488,596	$ 255,351	$ 32,475,116

7. Line of Credit

The Center has a $1,000,000 revolving line of credit (the line) with a bank which will expire on September 18, 2015. The line is secured by the Center's accounts receivable. Advances under the line bear interest at an annual variable rate equal to the prime rate or an annual fixed rate equal to 1% in excess of LIBOR. At December 31, 2014 and 2013, there were no outstanding amounts under the line.

8. Pension Plans

Defined Benefit Plan

On January 1, 2000, the Center's Board of Trustees adopted a resolution to curtail the Center's defined benefit pension plan (the Plan) effective December 31, 1999. All participants in the Plan, as of 2005, are fully vested; however, no benefits will accrue for any service after December 31, 1999.

8. Pension Plans (continued)

The funded status of the Plan as recognized in the Center's combined balance sheets is as follows:

	December 31	
	2014	**2013**
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 12,695,147**	$ 13,770,039
Interest cost	**596,869**	564,194
Actuarial losses (gains)	**2,548,318**	(1,026,520)
Benefits paid	**(676,672)**	(612,566)
Benefit obligation at end of year	**15,163,662**	12,695,147
Change in plan assets:		
Fair value of plan assets at beginning of year	**4,967,507**	4,675,144
Actual return on plan assets	**403,042**	404,929
Employer contributions prior to measurement period	**572,409**	500,000
Benefits paid	**(676,672)**	(612,566)
Fair value of plan assets at end of year	**5,266,286**	4,967,507
Funded status of plan	**$ (9,897,376)**	$ (7,727,640)

The funded status of the pension plan is included in pension obligation and other liabilities in the combined balance sheets. The accumulated benefit obligation for the Center's pension plan totaled approximately $15,164,000 and $12,695,000 at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, there are approximately $7,792,000 and $5,702,000, respectively, of actuarial losses that have not yet been recognized in net periodic pension cost, but have been cumulatively recorded in unrestricted net assets. Approximately $772,000 of unrecognized actuarial loss is expected to be recognized in net periodic pension cost during the year ending December 31, 2015.

8. Pension Plans (continued)

The Center recorded net periodic pension cost as follows:

	Year Ended December 31	
	2014	**2013**
Interest cost on the projected benefit obligation	**$ 596,869**	$ 564,194
Expected return on plan assets	**(449,616)**	(381,935)
Net amortization and deferrals	**504,399**	728,316
Net periodic pension benefit cost	**$ 651,652**	$ 910,575

The following assumptions were used in determining the benefit obligations and net periodic benefit costs:

	2014	**2013**
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	**4.06%**	4.85%
Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	**4.85%**	4.20%
Expected long-term rate of return on plan assets	**8.75%**	8.75%

The expected long-term rate of return on plan assets was selected by applying historical yields to the asset allocation of the Plan’s portfolio. An 8.75% expected long-term return on plan assets was based on the investment policy and asset allocation in effect as of the beginning of the fiscal year. The actuarial loss in 2014 primarily relates to changes in discount rate and mortality assumptions used to measure the projected benefit obligation.

8. Pension Plans (continued)

The Plan’s investment policy is designed to achieve the following long-term investment objectives:

- To maintain or exceed a target funding level of 100% of the Plan’s liabilities, defined as the market value of the portfolio assets as a percentage of the accumulated benefit obligation, and

- To achieve a long-term rate of return of 8.75%, as established by management.

Recognizing that the pension liabilities are of a long-term nature, the objective is to achieve these goals over a three to five year timeframe.

The asset allocation guidelines and permissible ranges by asset category are as follows:

Asset Category	**Guideline Allocation**	**Permissible Range**
Equities	65%	Up to 65%
Debt securities	35	Not less than 30%
Other	–	Up to 10%

The Plan’s asset allocations by asset category are as follows:

	December 31	
	2014	**2013**
Equities	**70%**	66%
Corporate bonds	**21**	20
Other	**9**	14
	100%	100%

The Plan has received a favorable ruling from the Internal Revenue Service to operate as a church plan. Under church plan status, the Plan is not subject to many of the compliance provisions of the Employee Retirement Income Security Act of 1974 (ERISA), such as minimum funding levels.

8. Pension Plans (continued)

The Center makes contributions to the Plan based on the recommendations of its consulting actuary and subject to available cash resources. The Center expects to contribute $575,000 to the Plan in 2015. Also, benefits under the Plan are not covered by the Pension Benefit Guaranty Corporation.

The measurement date used to determine the pension amounts is December 31.

The benefit payments under the Plan are expected to be paid as follows:

2015	$ 672,020
2016	699,087
2017	735,220
2018	795,536
2019	823,551
2020–2024	4,343,853

Defined Contribution Plan

Effective January 1, 2000, the Center adopted a defined contribution 401(k) plan (the 401(k) Plan). The 401(k) Plan provides for employer and employee contributions. Employees can make elective contributions to the 401(k) Plan of up to 100% of compensation which will be contributed by the Employer of the Plan, unless prohibited by applicable deferral limits. Employer contributions to the Plan consist of a regular contribution and a matching contribution. The regular employer contribution was equal to 2% of participants' eligible total compensation until December 31, 2011. Effective January 1, 2012, the regular employer contribution rate is 1.5%. The matching employer contribution is equal to 50% of the employees' elective contribution up to a maximum of 2% of a participant's eligible compensation. Pension expense under the 401(k) Plan was approximately $776,000 and $741,000 for the years ended December 31, 2014 and 2013, respectively.

9. Contingencies

Various lawsuits and claims arising in the normal course of operations are pending or on appeal against the Center. While the ultimate effect of such actions cannot be determined at this time, it is the opinion of management that litigation will not result in losses in excess of insurance coverage and will not materially affect the combined financial position or results of operations of the Center. No provision has been made in the accompanying combined financial statements for any deductibles or claims that have been incurred but not reported.

10. Net Assets

The Center's net assets are as follows:

	December 31	
	2014	**2013**
Unrestricted net assets:		
Unrestricted – general	**$ 26,608,795**	$ 24,035,473
Unrestricted – Employee Fund	**497,937**	460,460
Unrestricted – residents' assistance	**1,245,533**	1,111,076
Unrestricted net assets	**28,352,265**	25,607,009
Temporarily restricted net assets:		
Capital projects	**500,000**	1,000,000
Residents' assistance	**215,218**	215,218
Temporarily restricted net assets	**715,218**	1,215,218
Permanently restricted net assets	**727,981**	727,981
Total net assets	**$ 29,795,464**	$ 27,550,208

The Center has internally designated certain unrestricted net assets for discretionary employee expenditures, such as employee events, and residents' assistance.

The Center expends the income distributed from permanently restricted related assets on an annual basis in support of benevolent purposes (2014 and 2013 distributions totaled approximately $1,500 and $2,400, respectively).

Foundation fundraising and contribution income is reported net of related expenses of approximately $114,000 and $84,000 in 2014 and 2013, respectively. Assets released from the

10. Net Assets (continued)

Foundation for use at the Center were approximately $42,900 and $41,200 in 2014 and 2013, respectively.

11. Concentrations of Credit Risk

The Center grants credit, under contractual arrangements, without collateral to its residents and patients, many of whom are from the northern New Jersey area and are insured under third-party payer agreements. Concentrations of gross accounts receivable from patients and third-party payers were as follows:

	December 31	
	2014	**2013**
Medicare	**39%**	37%
Medicaid	**29**	25
Self-pay patients and residents	**12**	15
Commercial and other insurance	**20**	23
	100%	100%

12. Functional Expenses

The Center provides general health care services to residents within its geographic area. Expenses related to providing these services are as follows:

	Year Ended December 31	
	2014	**2013**
Health care services	**$ 52,092,678**	$ 50,689,804
General and administrative	**21,373,488**	20,729,830
	$ 73,466,166	$ 71,419,634

13. Fair Value Measurements

For assets and liabilities required to be measured at fair value, the Center measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Center's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated).

The Center follows a valuation hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Center uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

13. Fair Value Measurements (continued)

Financial instruments (included in cash and cash equivalents, short-term investments (excluding amounts accounted for using the equity method of accounting) and assets limited to use) carried at fair value in the accompanying combined balance sheets are classified in the tables below in one of the three categories described above as of December 31, 2014 and 2013:

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 6,396,506**	**$ –**	**$ –**	**$ 6,396,506**
Certificate of deposit	**376,509**			**376,509**
Equity securities:				
U.S. large cap	**1,245,489**	**–**	**–**	**1,245,489**
U.S. mid cap	**110,212**	**–**	**–**	**110,212**
Foreign equities	**36,436**	**–**	**–**	**36,436**
Fixed income:				
Government bonds and GSE bonds	**–**	**84,264**	**–**	**84,264**
Mutual funds – equity:				
U.S. large cap	**1,570,879**	**–**	**–**	**1,570,879**
U.S. mid cap	**412,621**	**–**	**–**	**412,621**
U.S. small cap	**325,872**	**–**	**–**	**325,872**
International developed equity	**537,353**	**–**	**–**	**537,353**
International emerging equity	**237,728**	**–**	**–**	**237,728**
Mutual funds – fixed income:				
Government bonds				
Corporate bonds	**1,465,592**	**–**	**–**	**1,465,592**
High yield bonds	**194,302**	**–**	**–**	**194,302**
International developed/emerging market bonds	**134,611**	**–**	**–**	**134,611**
Mutual funds – other:				
Global public REITS	**146,265**	**–**	**–**	**146,265**
Commodities	**158,316**	**–**	**–**	**158,316**
Hedge strategies – diversified	**78,260**	**–**	**–**	**78,260**
Hedge strategies – conservative	**60,506**	**–**	**–**	**60,506**
	$ 13,487,457	**$ 84,264**	**$ –**	**$ 13,571,721**

13. Fair Value Measurements (continued)

	December 31, 2013			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 9,390,132	$ –	$ –	$ 9,390,132
Certificate of deposit	428,975	–	–	428,975
Equity securities:				
U.S. large cap	1,034,840	–	–	1,034,840
U.S. mid cap	139,930	–	–	139,930
Foreign equities	26,807	–	–	26,807
Fixed income:				
Government bonds and GSE bonds	–	19,054	–	19,054
International	–	79,053	–	79,053
Mutual funds – equity:				
U.S. large cap	1,256,709	–	–	1,256,709
U.S. mid cap	367,393	–	–	367,393
U.S. small cap	349,267	–	–	349,267
International developed equity	487,015	–	–	487,015
International emerging equity	257,600	–	–	257,600
Mutual funds – fixed income:				
Government bonds	30,339	–	–	30,339
Corporate bonds	1,308,667	–	–	1,308,667
High yield bonds	200,175	–	–	200,175
International developed/emerging market bonds	126,010	–	–	126,010
Mutual funds – other:				
Global public REITS	116,532	–	–	116,532
Commodities	181,949	–	–	181,949
Hedge strategies – diversified	50,303	–	–	50,303
Hedge strategies – conservative	51,203	–	–	51,203
	$ 15,803,846	$ 98,107	$ –	$ 15,901,953

13. Fair Value Measurements (continued)

Assets invested in the Center's defined benefit pension plan, at fair value as of December 31 2014 and 2013, are classified in the tables below in one of the three categories described above:

	December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	**$ 153,579**	**$ –**	**$ –**	**$ 153,579**
Mutual funds – equity:				
U.S. large cap	**1,905,833**	**–**	**–**	**1,905,833**
U.S. mid cap	**486,973**	**–**	**–**	**486,973**
U.S. small cap	**352,077**	**–**	**–**	**352,077**
International developed equity	**765,477**	**–**	**–**	**765,477**
International emerging equity	**247,648**	**–**	**–**	**247,648**
Mutual funds – fixed income:				
Corporate bonds	**539,139**	**–**	**–**	**539,139**
High yield bonds	**328,094**	**–**	**–**	**328,094**
Mutual funds – other:				
Global fixed	**158,999**	**–**	**–**	**158,999**
Alternative investments:				
Managed futures	**–**	**–**	**328,467**	**328,467**
Total plan assets	**$ 4,937,819**	**$ –**	**$ 328,467**	**$ 5,266,286**

	December 31, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 391,128	$ –	$ –	$ 391,128
Mutual funds – equity:				
U.S. large cap	1,753,136	–	–	1,753,136
U.S. mid cap	282,476	–	–	282,476
U.S. small cap	397,638	–	–	397,638
International developed equity	403,555	–	–	403,555
International emerging equity	308,077	–	–	308,077
Mutual funds – fixed income:				
Corporate bonds	509,254	–	–	509,254
High yield bonds	315,648	–	–	315,648
Mutual funds – other:				
Global fixed	148,912	–	–	148,912
Alternative investments:				
Managed futures	–	–	284,487	284,487
Relative value	–	–	173,196	173,196
Total plan assets	$ 4,509,824	$ –	$ 457,683	$ 4,967,507

13. Fair Value Measurements (continued)

Fair value for Level 1 is based on quoted market prices. Level 2 assets consist of certain fixed income securities for which the fair value at each year end is estimated based on quoted prices and other valuation considerations (e.g., credit quality and prevailing interest rates). Fair value for Level 3 assets within the pension plan is determined based on the net assets value of each fund.

Following is a rollforward of the amounts for the defined benefit plan's and the Center`s financial instruments classified by the Center in Level 3 of the valuation hierarchy defined above (in thousands):

	2014	2013
Fair value at January 1	**$ 457,683**	$ 458,189
Purchases	**60,506**	–
Sales	**(235,013)**	–
Total realized and unrealized gains or losses	**45,291**	(506)
Fair value at December 31	**$ 328,467**	$ 457,683
Change in unrealized gains and losses related to financial instruments held at December, 31	**$ 45,291**	$ (506)

The approximate fair value of the Center's long-term debt, excluding capital leases (not reported at fair value in the accompanying combined balance sheets) was $32,220,000 and $30,856,000 at December 31, 2014 and 2013, respectively. The fair value of the Center's long-term debt is based upon quoted market prices, when available, and other valuation considerations. Fair value of long-term debt is classified as Level 2 of the valuation hierarchy. The carrying value of long-term debt, excluding capital leases is $32,219,765 and $30,855,530 at December 31, 2014 and 2013, respectively.

14. Subsequent Events

Subsequent events have been evaluated through April 10, 2015, which is the date the combined financial statements were issued. No subsequent events have occurred that require disclosure in or adjustment to the combined financial statements.

Supplementary Information

Christian Health Care Center and Affiliates

Combining Balance Sheet

December 31, 2014

	Christian Health Care Center *		Christian Health Care Center Foundation		Eliminations/ Reclassifications		Christian Health Care Center Consolidated		Holland Mutual Charitable Health Corporation		2014 Combined Total
Assets											
Current assets:											
Cash and cash equivalents	$	1,975,149	$	1,898,067	$	–	$	3,873,216	$	507,347	$ 4,380,563
Short-term investments		2,562,743		49,153		–		2,611,896		4,107,257	6,719,153
Assets limited to use, current portion		1,744,024		–		–		1,744,024		–	1,744,024
Accounts receivable, net		6,872,870		–		–		6,872,870		–	6,872,870
Prepaid expenses and other current assets		490,943		–		–		490,943		–	490,943
Total current assets		13,645,729		1,947,220		–		15,592,949		4,614,604	20,207,553
Assets limited to use, less current portion		727,981		–		–		727,981		–	727,981
Other assets		1,946,362		–		–		1,946,362		–	1,946,362
Interest in the assets of the Foundation		1,947,220		–		(1,947,220)		–		–	–
Deferred financing costs, net		648,601		–		–		648,601		–	648,601
Property, plant, and equipment, net		59,649,959		–		–		59,649,959		–	59,649,959
Total assets	$	78,565,852	$	1,947,220	$	(1,947,220)	$	78,565,852	$	4,614,604	$ 83,180,456
Liabilities and net assets											
Current liabilities:											
Current portion of long-term debt	$	5,060,467	$	–	$	–	$	5,060,467	$	–	$ 5,060,467
Accounts payable and accrued expenses		4,518,879		–		–		4,518,879		50,000	4,568,879
Accrued payroll		1,818,908		–		–		1,818,908		–	1,818,908
Accrued interest		8,756		–		–		8,756		–	8,756
Estimated amounts due to third-party payers		158,000		–		–		158,000		–	158,000
Total current liabilities		11,565,010		–		–		11,565,010		50,000	11,615,010
Benefits payable		–		–		–		–		1,344,200	1,344,200
Other liabilities		13,011,133		–		–		13,011,133		–	13,011,133
Long-term debt, less current portion		27,414,649		–		–		27,414,649		–	27,414,649
Total liabilities		51,990,792		–		–		51,990,792		1,394,200	53,384,992
Net assets:											
Unrestricted		25,131,861		1,447,220		(1,447,220)		25,131,861		3,220,404	28,352,265
Temporarily restricted		715,218		500,000		(500,000)		715,218		–	715,218
Permanently restricted		727,981		–		–		727,981		–	727,981
Total net assets		26,575,060		1,947,220		(1,947,220)		26,575,060		3,220,404	29,795,464
Total liabilities and net assets	$	78,565,852	$	1,947,220	$	(1,947,220)	$	78,565,852	$	4,614,604	$ 83,180,456

** Amounts include cash and cash equivalents of approximately $82,000 and a corresponding liability related to deposits received from the pre-sale of Vista units.*

Christian Health Care Center and Affiliates

Combining Statement of Operations and Changes in Net Assets

Year Ended December 31, 2014

	Christian Health Care Center	Christian Health Care Center Foundation	Eliminations/ Reclassifications	Christian Health Care Center Consolidated	Holland Mutual Charitable Health Corporation	Eliminations/ Reclassifications	2014 Combined Total
Revenue:							
Net patient service revenue less provision for bad debts	$ 73,380,826	$ –	$ –	$ 73,380,826	$ –	$ –	$ 73,380,826
Other revenue	833,731	–	–	833,731	–	–	833,731
Investment income on debt service funds	253,499	–	(252,426)	1,073	152,130	(152,130)	1,073
Fundraising activities, net	–	294,143	(294,143)	–	–	–	–
Estate bequests	140,559	2,953	(143,512)	–	–	–	–
Unrestricted gifts and contributions	–	834,960	(834,960)	–	–	–	–
Total revenue	74,608,615	1,132,056	(1,525,041)	74,215,630	152,130	(152,130)	74,215,630
Expenses:							
Salaries and wages	43,182,220	–	–	43,182,220	–	–	43,182,220
Employee benefits	10,515,743	–	–	10,515,743	–	–	10,515,743
Supplies and other	15,967,181	–	–	15,967,181	28,046	(28,046)	15,967,181
Interest and amortization	388,900	–	–	388,900	–	–	388,900
Depreciation and amortization	3,412,122	–	–	3,412,122	–	–	3,412,122
Total expenses	73,466,166	–	–	73,466,166	28,046	(28,046)	73,466,166
Income from operations	1,142,449	1,132,056	(1,525,041)	749,464	124,084	(124,084)	749,464
Investment income and net realized gains and losses	–	–	252,426	252,426	–	124,084	376,510
Estate bequests	–	–	143,512	143,512	–	–	143,512
Foundation fundraising and contributions, net	–	–	1,129,103	1,129,103	–	–	1,129,103
Contribution from (to) affiliate	1,691,677	(1,691,677)	–	–	–	–	–
Net change in unrealized gains and losses on investments	(53,100)	–	–	(53,100)	81,744	–	28,644
Excess of revenue over expenses	2,781,026	(559,621)	–	2,221,405	205,828	–	2,427,233
Grant proceeds for capital expenditures	1,908,516	–	–	1,908,516	–	–	1,908,516
Net assets released from restrictions for capital purposes	500,000	–	–	500,000	–	–	500,000
Change in accrued pension liability to be recognized in future periods	(2,090,493)	–	–	(2,090,493)	–	–	(2,090,493)
Net change in interest in Foundation assets	(559,621)	–	559,621	–	–	–	–
Change in unrestricted net assets	2,539,428	(559,621)	559,621	2,539,428	205,828	–	2,745,256
Decrease in temporarily restricted net assets	(500,000)	–	–	(500,000)	–	–	(500,000)
Increase (decrease) in net assets	2,039,428	(559,621)	559,621	2,039,428	205,828	–	2,245,256
Net assets at beginning of year	24,535,632	2,506,838	(2,506,838)	24,535,632	3,014,576	–	27,550,208
Net assets at end of year	$ 26,575,060	$ 1,947,217	$ (1,947,217)	$ 26,575,060	$ 3,220,404	$ –	$ 29,795,464

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